

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY

SINGLE FAMILY

ACCOUNTING GUIDE

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ACCOUNTING GUIDE
Accounting and Reporting Provisions of
Seller's Guide and Servicer's Guide

SECTION I - GENERAL

1.101 Servicer's Fiscal Responsibilities

The fiscal responsibilities of a Servicer will include:

1. The accounting for and remittance to the Agency of the principal and interest portions of monthly installment payments;
2. The accounting for and remittance to the Agency of supplemental payments;
3. The accounting for and administration of Escrow accounts.

1.102 Seller's Guide

The requirements for sale of Mortgage Loans to the Agency are contained in the Seller's Guide. Familiarity with the Seller's Guide is a prerequisite to an understanding of the accounting and reporting requirements.

1.103 Servicer's Guide

The Servicer's Guide contains the servicing requirements which include certain accounting and related functions. These servicing requirements are an integral part of mortgage accounting and reporting and should be read in conjunction with the Mortgage Purchase Agreement, Mortgage Servicing Agreement and the applicable Term Sheet.

1.104 Mortgage Loan Accounting Records

Permanent mortgage loan accounting records shall be maintained for each mortgage loan. The records must indicate the Agency ownership of each mortgage loan and contain the complete Agency eleven-digit loan number assigned to each mortgage loan.

The Agency requires that the Servicer's mortgage loan accounting system be capable of producing for each mortgage loan an account transcript itemizing in chronological order: (1) the date, amount,

and breakdown between principal and interest of each collection, (2) interest paid to date, and (3) the date, amount and nature of each disbursement, advance, adjustment or other transaction affecting the amounts due from or to the Mortgagor. The system must be capable of producing the current outstanding principal balance of the mortgage loan and the current escrow balance. The system must also provide for immediate disclosure of any insufficiency in escrow balances with respect to a mortgage loan.

The accounts and records relating to the Agency-owned mortgage loans shall be maintained in accordance with sound and generally accepted accounting practices, and in such a manner as will permit the representatives or designees of the Agency, at any time, to examine and audit such accounts and records.

1.105 Independent Audit of Mortgage Loan Accounts

Servicer shall furnish the Agency, annually, a copy of an independent accountant's report on the examination of Servicer's financial statements together with a report from the independent accountant relative to the examination of Mortgage Loan operations substantially in form and content as shown on the Agency's Form of Auditor's Report Form HMFA #109, (Exhibit A) and incorporating the Uniform Single Attestation Program for Mortgage Bankers (Revised November, 1995) issued by the Mortgage Bankers Association of America.

Servicers are required to fully comply with all federal and state regulations governing their institutions.

The required reports shall be furnished by the Servicer to the Agency within 90 days of the close of the Servicer's fiscal period. The aforementioned report shall be submitted directly to the Agency's Audit Division at the following address:

**New Jersey Housing and Mortgage Finance Agency
Attention: Audit Division
637 South Clinton Avenue
P.O. Box 18550
Trenton, NJ 08650-2085**

1.106 HMFA Reporting Forms

The Agency requires the use of its forms for Seller/Servicer accounting reports. These forms will be supplied upon request by the Agency. Where a Seller/Servicer's own forms contain the same basic information and format as required by the Agency, such forms will be acceptable to the Agency.

1.107 Acceptable Mortgage Loan Accounting Method

Servicers' accounting for individual mortgage loan payments and procedures for applying such payments to escrows, interest and principal must comply exactly with those set forth in this section.

No exception to the rules for applying payments is permitted. The procedures specified provide the necessary accounting control and are in conformity with the uniform mortgage documents and procedures commonly followed by the industry.

The amortization method of individual loan accounting with interest calculated in arrears must be used on mortgage loans serviced for the Agency. Under this method, application of an individual mortgagor payment of principal and interest is determined by first calculating the interest due and applying the balance of the payment as a principal reduction. The interest is calculated using not less than the outstanding principal balance after application of the preceding payment. The interest so computed applies to the period preceding the due date of the installment being applied. Where computations involve a multiple of installments (such as for delinquent installments) the interest calculation must be computed by the method that applies payments every month in sequential increments.

All monthly interest calculations shall be made using a 30-day month and 360-day year. Factors used for such calculations must be carried to not less than six (6) decimal places. Interest calculations for periods less than a month (loans paid in full) should be based upon a 360 day year.

The Agency does not permit use of the prepaid interest method on mortgage loans serviced. Servicers using the prepaid method must convert to the interest in arrears method for mortgage loans sold to the Agency. Furthermore, the capitalization method of individual mortgage accounting with its numerous variations is not acceptable for mortgage loans sold to the Agency. Servicers using the capitalization method must convert to the interest in arrears method for mortgage loans sold to the Agency.

IN THE EVENT ANY MORTGAGE LOAN IS OFFERED FOR PURCHASE WITH THE PREPAID INTEREST ACCOUNTING METHOD OR CAPITALIZATION METHOD, SAID MORTGAGE LOAN WILL BE REJECTED FOR PURCHASE BY THE AGENCY.

1.108 Application of payment to Mortgage Loans

The following paragraphs set forth special instructions with respect to the application of regular installments, tolerances to be observed by Servicer for adjusting differences in collections, payments in full, etc.

1. Differences in Collection

- (a) All payments applied to mortgage loan balances must equal or exceed the monthly constant of principal and interest. A deficiency in the monthly payment collected (including escrows) which does not exceed \$10.00 may be adjusted by reducing the amount credited to the escrow balance. Where the deficiency exceeds \$10.00, the entire payment may be credited to an unapplied account until such time as full payment is received or may be returned to the Mortgagor for a complete payment as deemed appropriate.

- (b) An excess in the monthly payment collected may be credited to the escrow balance or the outstanding principal balance or returned to the Mortgagor.
- (c) Insufficient fund checks are to be reflected as a complete reversal of the most recent payment applied.

2. Prepayment in Full

- (a) Servicer shall complete a Loan Paid in Full Statement, Form HMFA #106 (Exhibit C) and shall determine and accept the amount required to pay a mortgage loan in full, including interest to date of prepayment but not including the day of prepayment. Servicer shall in no event assess a prepayment penalty on mortgage loans. Any notice of prepayment or entitlement to interest beyond the date of prepayment shall be waived by Servicer on behalf of the Agency. (This includes entitlement to interest on FHA-insured loans).

Escrow balances on hand may either be credited or returned separately to the Mortgagor.

- (b) The following items will be considered when calculating the amounts to be remitted to the Agency for a prepayment in full:
 - (1) Unpaid principal balance of the mortgage loan at the time of prepayment.
 - (2) Servicing compensation where appropriate.
 - (3) Advances or other amounts due to or from the Agency.

3. Partial Prepayment (Curtailments)

Partial prepayments of principal in any amount may be accepted by Servicer at any time without prior notice, provided all matured installments have been paid. Curtailments may never be applied to delinquent loans.

Funds received in consideration of a partial release of security shall be applied to the indebtedness. Funds received as proceeds of a partial taking by eminent domain shall be applied to the indebtedness unless Servicer recommends and the Agency approves application to restoration of the property or other application.

4. Rental Income on Mortgaged Property

Where the Servicer has been assigned rental income from mortgaged property, rental income received shall be applied to outstanding advances and reimbursable expenses, then to regular installments due. Remittances to the Agency of rental income shall be processed in the same way as ordinary collections. A record of rental income collections and

disbursements shall be maintained so that an accounting may be made to the Mortgagor, Agency and the Mortgage Insurance Company.

1.109 Reapplication of Prior Prepayments

Servicers may not automatically reapply prior curtailments for payment of subsequent installments. Payments advanced in satisfaction of future installments should be accounted for as advanced (prepaid) installments of principal and interest. Servicers should contact Mortgagors where there is a question as to the intent of the Mortgagor.

In cases of extreme hardship and upon prior written approval from the Agency a previous partial prepayment may be reapplied to pay current and past due installments.

Servicer is responsible for taking all actions necessary in connection with a reapplication of partial prepayments to preserve the priority of the Mortgage and to fully protect the Agency's interest.

1.110 Additions to Mortgage Loan Principal

The Agency does not buy or participate in any open-end advances. If the Servicer makes an open-end advance, the accounting for such advance must be completely separate from the mortgage loan purchased by the Agency. The accounting should be as if such advance were: (1) a second mortgage or (2) a situation where a Mortgagor has two or more mortgages which are regularly paid with one check.

Similarly, mortgage insurance premiums may not be included with the regular accounting for principal and interest collections. These premiums must be processed in escrow or similar accounts. If a Servicer has entered into any agreements to pay interest on escrow deposits, or is required to do so under applicable law, Servicer is solely and fully responsible for payment, and the related accounting may not be included with the regular loan accounting for principal and interest.

1.111 Accounting with Respect to Special Forbearance Relief and Modification Agreements

If special forbearance or a modification is granted with respect to a mortgage loan, Servicer shall advise its records and take appropriate steps as follows:

- (a) The funds deposited by the Mortgagor with Servicer, pursuant to Mortgagor's request for special forbearance relief or modification which is granted, shall be applied to the mortgage loan account as specified in the forbearance agreement. Amounts due the Agency for repayment of principal, interest or advances shall be remitted promptly with appropriate information to enable the Agency to apply the funds. Other amounts shall be disposed of to clear any advances by Servicer from its own funds, or to credit the Mortgagor's escrow balance.

- (b) Payment records shall be revised to provide for the collection under the modified installment or repayment schedule. Any adjustment to fixed installments or repayment schedule shall be reported to the Agency.
- (c) Any installments held in the unapplied account shall be reapplied to interest, principal, and escrow balance under the terms of the modified mortgage loan, and the portion due the Agency shall be remitted and accounted for accordingly.

1.112 Servicing Compensation

Servicer shall deduct servicing compensation from accounts remitted in accordance with the Agreement. At the time a mortgage loan is purchased, the Agency will deduct from the purchase price the appropriate amount so that Servicer shall, thereafter, compute the servicing compensation based on the total amount of interest collected subsequent to date of purchase of the mortgage loan to the Agency.

Where interest has been prepaid at the time of purchase of the mortgage loan, the Agency will add the appropriate service fee to the purchase price for the period commencing the date of purchase to the date which interest has been paid.

Service Fee is calculated as follows:

Service Fee Rate $3/8$ of $1\% = .375$

Mortgage Loan Rate Refer to applicable Term Sheet

Service Fee Earned $= \frac{\text{Service Fee Rate}}{\text{Mortgage Loan Rate}} \times \text{Interest Collected}$

The Service Fee Rate divided by the Mortgage Loan Rate can be reduced to a factor by dividing .375 by the interest rate which equals the servicing fee factor. This factor multiplied by the interest collected will determine the servicing fee earned. The Servicer is not entitled to servicing compensation for delinquent loans; however, multiple servicing compensation can be taken when a delinquent loan becomes current.

1.113 Establishment of HMFA Payments Account and HMFA Escrow Account

Servicer shall be responsible for maintaining adequate accounts and procedures for safeguarding and segregating escrow funds and amounts collected for the account of the Agency. Servicer must establish an HMFA Payments Account and an HMFA Agency Escrow Account. Separate custodial accounts are not required for each bond program as long as all funds are accountable separately by bond issue in the one custodial account.

Each HMFA Payments Account shall be designated as follows:

“New Jersey Housing and Mortgage Finance Agency by (Name of Depositor) as a Trustee.”

Each HMFA Escrow Account shall be designated as follows:

“New Jersey Housing and Mortgage Finance Agency and various Mortgagors by (Name of Depositor) as Trustee.”

HMFA Payments Account: All funds for the account of the Agency shall be deposited in the HMFA Payments Account not later than the first business day following receipt.

HMFA Escrow Account: All escrow funds shall be deposited in the HMFA Escrow Account not later than the first business day following receipt.

Upon the purchase of a Mortgage by the Agency, all installments on hand which are due to the Agency as a result of such purchase and all escrow funds on hand shall be deposited in the HMFA Payments Account and the HMFA Escrow Account, respectively, promptly following receipt of the advise of purchase.

“HMFA Payments Account” and “HMFA Escrow Account” must be maintained in an institution (which may be the Servicer) whose accounts are insured by the Federal Deposit Insurance Corporation. Servicer shall at all times maintain records that adequately reflect the vested and ascertainable interests of the Agency in such funds.

The depository institution must have at least one of the following:

- ! A Keefe, Bruyette, and Woods (KBW) rating of C/D or better.
- ! An IDC Financial Publishing, Inc. (IDC) rating of “75” or better or an IDC between “50” and “74” with an equity position of at least 3% of total assets on a GAAP basis.
- ! If the depository is rated by both KBW or IDC, it needs to satisfy only one (not both) of the rating requirements.

At the request of the Agency, Servicer shall provide copies of bank statements relating to the HMFA Payments Account and the HMFA Escrow Account.

1.114 Release or Destruction of Records

Canceled checks, bank statements and all other records and accounts of the Servicer relating to any mortgage loan serviced by the Servicer for the Agency, including any mortgage loan that has been paid in full, sold, foreclosed, or otherwise liquidated, shall not be surrendered or destroyed by the Servicer without the prior approval of the Agency except as follows:

Servicer may destroy any original records, including mortgage ledger cards, after a period of two (2) years from the date of termination of the mortgage loan, provided that such records have been microfilmed or otherwise duplicated where permitted by law.

Servicer may destroy any original records, including mortgage ledger cards after a period of seven (7) years, from the date of termination of the mortgage loan, unless a greater period is customary in the jurisdiction in which the mortgaged property is located.

SECTION II - MORTGAGE LOAN PURCHASES

2.101 Offer Procedures

Offers of Sellers to sell and the Agency to buy mortgage loans are as contained in the appropriate Agency Mortgage Purchase Agreement and Seller's Guide.

2.102 Preparation of Documents for Delivery of Mortgage Loans

The Seller's Guide describes in detail the required documents and make-up of individual mortgage loan folders.

It is the practice of the Agency to purchase unpaid principal mortgage loan balances as reflected in the individual mortgage loan accounts of the Seller. These balances may be net of prepaid amounts.

Balances on mortgage loans to be sold to the Agency must be taken from records or accounts which are current.

By using the most recent loan trial balance or updated loan records, list the unpaid principal balance of each mortgage loan per seller's records and complete the remaining required information. Payments due as of or prior to the date balances are taken from the detailed loan record should not be assumed as being paid. Mortgage loans delivered to the Agency by the 15th of any month must be paid through at least the previous month. Mortgage loans delivered to the Agency from the 16th through the 1st day of any month must be paid up through the current month. Mortgage loans not satisfying this requirement are considered delinquent and, according to the Mortgage Purchase Agreement, are not eligible for purchase by the Agency.

2.103 Segregation of Mortgage Loans Sold

Prompt segregation and identification of mortgage loans sold to the Agency is essential for accurate subsequent reporting. The principal balance transferred must be the same as the balance purchased by the Agency as indicated on the Mortgage Purchase Statement.

2.104 Settlement Procedures

The Agency will review mortgage loans submitted prior to payment for purchases. Upon completion of review, the Agency will prepare a Mortgage Purchase Statement with all pertinent data and compute the amount of settlement. Payments are made by wire transfer to Seller's demand account with the bank designated by the Seller. Sellers should indicate, on the Mortgage Schedule (HMFA 101), where the transfer of payment funds should be made. If a commercial bank is designated for wire transfer of funds, Seller is requested to furnish: (1) name, city and branch to which funds are to be wired, (2) their bank account number, (3) if bank is not a member

of the Federal Reserve System, name of correspondent bank to which funds are wired. Transfers are initiated in sufficient time to be received by their Seller on the purchase date. Sellers should call their representatives at the commercial bank to follow-up on receipt of funds.

2.105 Interest and Servicer Fees on Purchases

The amount paid relative to interest and service fees for mortgage loans sold to the Agency is calculated as follows:

Interest is calculated on the unpaid balance and is paid through the day prior to the purchase date. The service fee is a factor of interest corresponding to the underlying mortgage loan rate. In the event the mortgage loan offered for purchase is prepaid, the Agency will deduct the prepaid interest from the purchase date to the individual mortgage loan interest paid to date.

2.106 Purchase Adjustments

Mortgage loans are purchased by the Agency at the balances reflected in the accounts of the Seller.

Careful and accurate preparation of the Mortgage Schedule (HMFA 101) and appropriate segregation of mortgage loans sold to the Agency will minimize purchasing discrepancies resulting from incorrect balances or failure to recognize delinquent or prepaid amounts.

In the event of discrepancies, Seller must identify the differences by individual mortgage loan and summarize the differences relating to P & I constant, principal, delinquent interest, prepaid interest and the net amount due to/from the Seller. The Agency should be immediately advised of the discrepancies and an Agency Amended Mortgage Purchase Statement will be prepared.

SECTION III - REMITTANCE OF MORTGAGE LOAN COLLECTIONS

3.101 Remittance Requirements of Regular Monthly Installments

Level payment collections on mortgage loans serviced for the Agency must be deposited into an account entitled "HMFA Payments Account." The total amount in this account must be mailed to the Agency designates along with a Funds Transmittal Advise, Form HMFA # 112 (Exhibit D) within three business days of the 10th and 20th of each month. However, if the total funds deposited in the payment accounts exceeds \$100,000, these remittances should be immediately sent to the Agency. The final remittance, which must include the balance of all unremitted funds collected, must be submitted to the lockbox within five (5) business days of the last business day of the reporting month. Failure to comply with the remittance schedule is deemed a violation of the Servicer's responsibility and constitutes a violation of the Mortgage Servicing Agreement. The final remittance must be accompanied by a completed Funds Transmittal Advise. For Agency purposes, a "business day" is defined as any day with the exception of: 1) weekends, 2) legal holidays, or 3) banking holidays.

At such time as it notifies the Servicer, the Agency may require more frequent remittances. Remittances to the Agency may be made by check or wire transfer. All **check remittances**, including loans paid in full, must be mailed to the lockbox address as follows:

**New Jersey Housing & Mortgage Finance Agency
Post Office Box 18029
Newark, New Jersey 07191**

NOTE: Any checks sent directly to the Agency may be rejected and set back for appropriate action.

All **wire transfers** including loans paid in full, should be transmitted with the following instructions:

**New Jersey Housing & Mortgage Finance Agency
First Union National Bank
ABA# 031201467
Credit Account # 2030006444968**

If there is a need to send any payment by **overnight express** or by **certified mail**, use the following address:

**First Union National Bank
100 Fidelity Plaza, PO Box 18029
N. Brunswick, NJ 08905-2252**

Attention: Wholesale Lockbox

In order to insure the proper posting of wired funds, the following summaries should be telecopied to the Agency to (609) 278 1164 on the day the wire is transmitted.

Summary of Normal Wired Remittances, Form HMFA #112A (Exhibit E):

This exhibit should be utilized with the 10th, 20th and End of Month remittances. The breakdown of principal, interest and service fees are not needed on this summary as this information will be included in the Funds Transmittal Advise at month's end.

Summary of Loan Paid In Full Wired Remittances, Form HMFA #112B (Exhibit F):

This exhibit should be utilized for Loan Paid In Full Remittances. A copy of the Loan Paid In Full Statement, Form HMFA #106, should be sent along with the Summary over the telecopier. The original Form HMFA #106 must be sent to the Agency.

3.102 Remittance Requirements for Loans Paid In Full

A separate check or wire transfer (along with a copy of the current loan history), representing payment in full proceeds, must be received within five business days of settlement and must be accompanied by a completed Loan Paid In Full Statement, Form HMFA #106. Any remittance received after the required deadline will be penalized at the appropriate per diem rate. The following shall be noted:

1. All payoffs are to be considered as exceptions and, therefore, part of the monthly exception report.
2. The total payoff amount collected during the reporting month will be shown as a separate line under Section I of the Funds Transmittal Advise, Form HMFA #112 (Exhibit D).
3. The Spread of principal, interest and service fee for the payoff amount collected for the current month, will be shown in Section 2 of the Funds Transmittal Advise (refer to Page 14, Section 4.104 #1).

In addition, loan histories for the current period should be submitted to the extent available for paid off loans which agree with the Agency's records. A complete loan history, covering from inception of the loan to the date of payoff, must be submitted for paid off loans which differ from Agency's records. Packages with unreconciled differences in the outstanding principal balance of \$50.00 and over will be returned for reconciliation in their entirety, including remittances. Loan documents will not be canceled until the Servicer's records and the Agency's records are reconciled.

3.103 Remittance of Foreclosure Proceeds

Proceeds from foreclosures are to be remitted directly to the Agency's Single Family Division and are not to be summarized on the Funds Transmittal Advice. Similarly, foreclosure expenses are reimbursed directly from the Agency and should not be deducted. Lastly, foreclosures should not be removed from the Trial Balance until officially notified by the Agency.

SECTION IV - MONTHLY REPORTING CONCEPT

4.101 Monthly Reporting Requirements

The Agency uses the Aggregate Exception System (AES) for Servicer remittance accounting. The AES is designed so that the Servicer need only report exceptions to the expected activity for any given loan. An exception is defined as any deviation from the scheduled receipt of a single fixed installment in the correct amount. The Servicer must, therefore, report on an individual loan basis all payments received before they are due (prepayments), payments not received (delinquencies), and payments of additional principal (curtailments).

Every month, the Agency mails to the Servicer an amortized trial balance reflecting application of the prior month's cash activity and reported exceptions for each bond program in addition to a billing for the expected activity for the following month. Each month, the Servicer must mail a report of all exceptions for the month to the Agency. The Servicer must also reconcile the unpaid principal balance of the portfolio and the balance in the overage/shortage account every month. At least once a year, the Servicer is required to provide the Agency with a copy of the overage/shortage reconciliation.

4.102 Monthly Reporting Cutoff Date

The cutoff date for monthly reporting is as of the close of business on the last day of the month, or if not a business day, then the business day prior to the last day of the month. Monthly reports must be mailed by the Servicer within 5 business days after the cutoff date.

Failure to comply with the reporting schedule is deemed a violation of the Servicer's responsibility and constitutes a violation of the Mortgage Servicing Agreement. A monthly report is required by bond program for all mortgage loans sold to the Agency through the last day of the reporting month.

For those Servicers who wire their remittances, the monthly exception reports can be mailed directly to the Agency at the following address:

**New Jersey Housing & Mortgage Finance Agency
637 South Clinton Avenue
PO Box 18550
Trenton, N.J. 08650-2085**

For those Servicers who remit by check, the monthly exceptions reports must be mailed along with end of month remittance to our lockbox address (refer to page 11, Section 3.101)

4.103 Level Payment Billing Report

The Level Payment Billing Report, (Exhibit B, HMFA #113) is prepared by bond program and mailed by the Agency to the Servicer by the end of each month.

The entry on Line 11 of the report represents the gross amount that the Servicer owes the Agency, before adjusting for servicing fee, if no exceptions occurred during the month. Prior to preparing the forecast, Servicer's Master File is updated by the Agency to reflect all transactions occurring in the prior month (new purchases, paid-off loans and foreclosures).

1. **Line 1** of the forecast indicates the level payments on loans being billed in the current month. It excludes loans previously paid in full and new loans which do not have a level payment due the Agency for the forecasted month.
2. **Line 2** of the forecast subtracts level payment prepayments previously remitted to the Agency, which will mature in the billing month.
3. **Line 3** of the forecast is used as an accumulator to account for excess remittance by the Servicer in prior months. This amount will be subtracted from the amount due the Agency.
4. **Line 4** of the forecast indicates all delinquent level payments due. The system assumes the collection of all delinquent payments in the billing month and adds this amount to the amount due the Agency.
5. **Line 5** of the forecast is used as an accumulator to account for short remittances by the Servicer in prior months. This amount will be added to the amount due the Agency.
6. **Line 6** of the forecast indicates the number of loans, the outstanding principal balance and the payments expected on new loans purchased in the forecasted month.
7. **Line 7** of the forecast indicates the number of loans and the outstanding principal balance of new loans purchased which do not have a level payment due for the forecasted month.
8. **Line 8** of the forecast indicates interest adjustments made on new loans.
9. **Line 9** of the forecast indicates service fee adjustments made on new loans which are to be netted against this month's fees.

10. **Line 10** of the forecast contains the loan count, outstanding principal balance and level payments after adjustments.
11. **Line 11** of the forecast indicates the amount due the Agency for the forecasted month. This figure should be entered in Line 1 of the Monthly Remittance Reconciliation Summary, Form HMFA #114 (Exhibit G).

4.104 Components of the Monthly Exceptions Report

A monthly exceptions report is to be prepared by the Servicer as of the cutoff date for each bond program after receiving the current month's Level Payment Billing Report. For those Servicers still submitting hard copies, each report must be signed by the Servicing Manager and the preparer and must be reviewed for completeness and accuracy prior to submission to the Agency. All forms must be filled out in their entirety, and the Bond Series and Servicer Number must be clearly identified on each form. The monthly exceptions reports are comprised of: The Funds Transmittal Advise, the Monthly Remittance Reconciliation Summary and the appropriate forms for any exceptions reported as follows:

1. **The Funds Transmittal Advice (FTA), Form HMFA #112 (Exhibit D):**
Servicers remitting by check must submit a FTA with each interim remittance indicating which period is being remitted in Section 1, including the total payoff amount collected during the reporting month. All Servicers must send a FTA with the month's exceptions report indicating the amount and date of each remittance in Section 1, and the current month's actual spread of combined totals for principal, interest and service fee from normal month's collections and payoff loans in Section 2. The totals for Section 1 and 2 must agree, except in cases where a prior month's overage or shortage is being rectified.
2. **The Monthly Remittance Reconciliation Summary (MRR), Form HMFA #114 (Exhibit G):**
The purpose of the MRR is to reconcile the Amount Due (Line 11 of the Level Payment Billing Report) to the actual amount remitted by the Servicer.
The following items must be entered on the MRR:
 1. Line 1 - Amount Due.
This amount is obtained from Line 11 of the Level Payment Billing Report.
 2. Lines 2 thru 8
These amounts are summary totals of the individual transactions reported on the supporting exception forms. However, for reconciliation purposes, the total payoff amount should be shown on the Monthly Remittance Reconciliation Summary (MRR), Line #4. Line #4 has been changed from Miscellaneous Transaction (increase) to paid-off loans (total collected from Mortgageors).

3. Lines 9 thru 11
These amounts are obtained from the Month End Funds Transmittal Advice, Form HMFA #112 (Exhibit D).
4. Lines 12 and 13 - Reported Over/Short Remittance
These amounts, if any, are a result of subtracting the total Monthly Remittance (Line 11) from the Net Amount Due (Line 10).
5. Line 14 - Loan Count
The total number of loans at the end of the reporting period.
6. Line 14 - Principal Balance
The total principal balance outstanding at the end of the reporting period.
7. Line 16 - Level Payments
The total of all level payments at the end of the reporting period.

The completed MRR becomes the overall control for AES reporting for both the Servicer and the Agency.

4.105 Eligible Exceptions

For the purpose of the Agency's Aggregate Exception reporting concept the following is a listing of eligible exceptions:

1. Prepayments by transaction date.
2. Curtailments by transaction date.
3. Payoffs.
4. Delinquencies
5. Reversals of Previously Remitted Level Payments and Curtailments by transaction dates.
6. Level payments Not Collected on Loan Removals.

4.106 Prepayments Received, Form HMFA #115 (Exhibit H):

Servicers will be required to complete a Prepayments Received form or submit a comparable computer printout for all loans on which level payment prepayments have been received and are being remitted to the Agency (the transaction date of each prepayment must be included).

4.107 Curtailments Received, Form HMFA #116 (Exhibit I):

Servicers will be required to complete a Curtailments Received form or submit a comparable computer printout for all loans on which an advance payment towards principal reduction has been

made (the transaction date of each curtailment in which the entry was consummated must be included). The system will reject posting an entry lacking a transaction date. Curtailments can only be accepted on loans which are current at the time of the curtailment. The Agency does not have any restrictions on the amount of the curtailment being made. The total of the Curtailments Received Report must be entered on Line 3 of the MRR. Application of curtailment must indicate which monthly payment it has been applied to. For example, if a curtailment is received on May 15, 1998 and the mortgagor has also made a current payment for May 1998 and Prepayment for June 1998 we must be notified whether the curtailment should be applied after May or June.

At no time will the Agency accept a curtailment on a loan with a delinquent status.

NOTE: Any reversal of a previously remitted curtailment must be reported on a Miscellaneous Decrease Reversal of Curtailment(s) Previously Remitted Form HMFA #120 (Exhibit M).

4.108 Payoff Received

Servicers will be required to complete a Payoff Received form or submit a comparable computer printout for all loans paid off in the current reporting month. Each payoff remittance must be submitted to our lockbox within five (5) business days from the payoff date accompanied with Form HMFA #106. The total payoff amount collected during the reporting month will be shown as a separate line under Section I of the Funds Transmittal Advice. Section II of the Funds Transmittal Advice will show combined totals for principal, interest and service fee from normal monthly collection and the payoff loans. For reconciliation purposes, the total payoff amount should be shown on the Monthly Remittance Reconciliation Summary (MRR), Line #4.

4.109 Delinquent Level Payments, Form HMFA #117 (Exhibit K):

Servicers will be required to complete a Delinquent Level Payment form or submit a comparable computer printout for all mortgage loans which have a delinquent installment. The total of the Delinquent Level Payments Report must be entered on Line 5 of the MRR.

NOTE: Servicer should report delinquencies on loans that are in foreclosure proceeding.

4.110 Level Payments Not Collected On Loan Removals Form HMFA #118 (Exhibit L):

Servicers will be required to complete a Level Payments Not Collected on Loan Removals form or submit a comparable computer printout when a loan is paid in full or foreclosed and has not been removed from the Agency's trial balance. The amount listed should be equal to all uncollected previously forecasted level payments. Also, if the loan was in foreclosure, it must be noted in the column provided.

The total of the Level Payments Not Collected on Loan Removals report must be entered on Line 8 of the MRR.

4.111 Reversal of Payments Previously Remitted, Form HMFA #119 (Exhibit J):

Servicers will be required to complete a Reversal of Payments Previously Remitted form or submit a comparable computer printout when a previously remitted level payment has to be reversed. The reversal of any transaction must cite the transaction date of the original entry to which the reversal applies. Reasons for the reversal might be an uncollectible/NSF check or a correction of an erroneous application.

If more than one level payment is being reversed, they must be listed separately. Servicers should keep in mind that only payments previously remitted to the Agency can be reversed. In the event a payment reversal creates a loan deficiency, Servicers should report only the month that was forecasted on the Delinquent Level Payments, Form HMFA #117.

EXAMPLE:

Loan was billed for the 5/98 installment: During the month two NSF payments are reversed. The loan PTD is now 2/98. At month end, the Servicer would report this loan as follows:

On Delinquency Level Payments, Form HMFA #117

1 Level Payment 5/98

On Reversal of Previously Payments Remitted, Form HMFA #119

1 Level Payment 4/98

1 Level Payment 3/98

The total of level payment reversals must be entered on Line 6 of the MRR. The total of curtailment reversals must be entered on Line 7 of the MRR.

4.112 Miscellaneous Reporting Requirements

1. A Trial Balance reflecting the P-T-D and the outstanding principal balance of all loans that were active during the reporting period must be submitted for each bond program with the monthly exceptions report.
2. The Servicer shall complete the Servicer Directory, Form HMFA #121 (Exhibit N) when there is any change in the staff who handle Agency Reports. This will enable us to contact the correct person when we encounter problems or questions. It is mandatory that all new staff members are properly trained on Agency policy and procedure to insure the timely and proper remittance of cash collections and reports. In addition, the Agency should be notified of any change in address immediately.

3. It is imperative that the Agency guidelines for cash remittances and monthly reports as set forth in this manual are adhered to. Failure to comply with these guidelines is deemed a violation of the Servicer's responsibility and will be subject to the Agency discontinuing servicing of Agency loans.

Form of Auditor's Report

<Accounting Firm Letterhead>

To the Board of Directors of _____ Mortgage Banker:

We have examined the financial statements of _____ (Name of Company) as of _____ and have issued our report thereon dated _____. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The examination referred to above included tests relating to mortgage loans services for others in accordance with the requirements of the Uniform Single Audit Program for Mortgage Bankers.* Our examination disclosed no exceptions or errors in records relating to mortgage loans services for others that, in our opinion, Paragraph 4 of the Program requires us to report.

We are independent Certified Public Accountants with respect to _____ (name of company) within the meaning of the Code of Professional Ethics of the American Institute of Certified Public Accountants.

City _____ Signature _____

Date _____

*** The sentence should be expanded if audit procedures have been eliminated or reduced**

New Jersey Housing & Mortgage Finance Agency Level Payment Billing Report

“ ”

SERIES:		FOR THE PERIOD	
SERVICER:			
ADDRESS:		// THRU //	

[illegible]

	LOAN COUNT	PRINCIPAL BALANCE	LEVEL PAYMENTS
1) LOANS BILLED THIS MONTH	0	\$0.00	\$0.00
* * * M I N U S * * *			
2) PREPAYMENTS MATURING THIS MONTH	0	\$0.00	\$0.00
3) REPORTED OVERAGE FROM LAST MONTH			\$0.00
* * * P L U S * * *			
4) DELINQUENCIES TO BE COLLECTED	0	\$0.00	\$0.00
5) REPORTED SHORTAGE FROM LAST MONTH			\$0.00
6) PAYMENTS ON NEW LOANS PURCHASED	0	\$0.00	\$0.00
7) NEW LOANS PURCHASED NOT BILLED	0	\$0.00	
8) INTEREST ADJUSTMENT ON NEW LOANS			\$0.00
9) SERVICE FEE ADJUSTMENT ON NEW LOANS TO BE NETTED AGAINST THIS MONTH'S FEES			\$0.00
10) CURRENT MONTH'S BILLING	0	\$0.00	\$0.00
11) AMOUNT DUE (LINE 1 OF MONTHLY REMIT. RECON. SUMMARY)			\$0.00

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY

LOAN PAID IN FULL STATEMENT
REQUEST FOR RELEASE OF MORTGAGE DOCUMENTS

***THIS FORM MUST BE CALCULATED CORRECTLY AND BEAR ANOTHER SIGNATURE
BY A SUPERVISOR/MANAGER.***

HMFA Servicer Number _____ Servicer Name _____

Date Prepared ____/____/____

.....

HMFA (11 Digit) Loan Number _____

Original Maturity Date ____/____/____

MORTGAGOR'S NAME

LOAN INTEREST RATE _____ %

MORTGAGED PREMISES STREET ADDRESS

MONTHLY CONSTANT \$ _____.

CITY, STATE, ZIP CODE

INTEREST PAID TO DATE ____/____/____

PAY-OFF DATE ____/____/____

.....

1. Principal Balance..... \$ _____.

2. Interest From _____ To _____ .

3. Total Collected By Servicer..... .

4. Deduct Service Fee..... (_____.)

5. Net Due HMFA (Date of Remittance) ____/____/____ \$ _____.

Approved by: _____

Prepared by: _____

Title: _____

Title: _____

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY

FUNDS TRANSMITTAL ADVICE****

Reporting Month _____/_____
Month Year

NJHMFA SERVICER NUMBER _____ SERVICER NAME _____

Submitted by: _____ Bond Series # _____

Phone # (____) _____ Bond Series Code# _____

Approved by: _____

Section I: REMITTANCE CONTROL (FUNDS ACTUALLY REMITTED)

	<u>AMOUNT</u>	<u>DATE MAILED</u>
10th of Month Interim Remittance	\$ _____.	____/____/____
20th of Month Interim Remittance	_____. "*****"	____/____/____
Final Monthly Remittance	_____. "*****"	____/____/____
Total Monthly Remittance	\$ _____.	
Total Amount of Payoff(s)	\$ _____.	
Total of Monthly and Payoff Remittance	\$ _____.	

Section II: REMITTANCE RECONCILIATION (CURRENT MONTH'S ACTUAL SPREAD)

With final monthly remittance, please complete the following which should indicate the cash distribution for the entire month's collections to include any and all payoffs:

Principal Remitted	\$ _____.
Interest Collected	_____.
Servicing Fee Earned	(_____.)
TOTAL MONTHLY REMITTANCE	\$ _____.

If there is a difference between Section I and Section II, it must be explained: _____

****The headings and proper information of this report must be filled out in its entirety.

SUMMARY OF NORMAL WIRED REMITTANCE(S)

TO: NJHMFA - ATTENTION: A. MALEK DATE: _____
FROM: SERVICER # _____ SERVICER NAME _____
SUBJECT: REMITTANCE INTERIM DATE: 10TH 20TH EOM (CIRCLE ONE)
REPORTING MONTH/YEAR _____/_____

Please be advised that on the above referenced date, a total of \$ _____
was wired to your Account #2030006444968 ABA#031201467. Below is a breakdown by Bond Series.

<u>BOND SERIES</u>	<u>SERIES CODE</u>	<u>INTEREST</u>	<u>REMITTANCE AMOUNT</u>
NLP-1	01	07.500%	_____
NLP-2	02	08.250%	_____
NLP-3	03	10.750%	_____
NLP-4	04	13.250%	_____
SMP-1	05	11.000%	_____
SMP-2	06	10.550%	_____
SMP-3	07	10.750%	_____
SMP-4	08	10.650%	_____
SMP-5	09	11.200%	_____
HMP-10	10	10.700%	_____
HMP-11	11	09.940%	_____
HMP-13	13	08.550%	_____
HMP-14	14	08.375%	_____
HMP-18	18	09.320%	_____
HMP-19	19	08.150%	_____
HMP-1E	1E	10.750%	_____
HBP-20	20	08.820%	_____
HBP-21	21	08.700%	_____
HBP-22	22	08.880%	_____
HBP-23	23	VARIOUS	_____
HBP-24	24	"	_____
HBP-25	25	"	_____
HBP-26	26	"	_____
HBP-27	27	"	_____
HBP-28	28	"	_____
HBP-29	29	"	_____
HBP-30	30	"	_____
HBP-31	31	"	_____
HBP-32	32	"	_____
E1 - EQUITY GAP	E1	"	_____
H1 - HOME BUYERS	H1	"	_____
U1 - UPSTAIRS/DOWNTOWN	U1	"	_____

TOTAL REMITTED

.....

Prepared by: _____ Approved by: _____

TO: NJHMFA - ATTENTION: A. MALEK DATE: _____
 FROM: SERVICER # _____ SERVICER NAME _____
 SUBJECT: REMITTANCE(S) FOR PAID OFF LOANS

Please be advised that on the above referenced date, a total of \$_____ was wired to your Account #2030006444968, ABA #031201467 for the following paid-off loans:

TOTAL OF PAYOFFS REMITTED

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NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY MONTHLY REMITTANCE RECONCILIATION SUMMARY (MRR)

FOR THE PERIOD ENDING ____/____/____

HMFA SERVICER NUMBER _____ SERVICER NAME _____

LINE #	<u>SUPPORTING FORM NUMBER</u>	<u>AMOUNT</u>
1. AMOUNT DUE (LINE 11 OF THE FORECAST)	113	\$_____.
PLUS:		
2. PREPAYMENTS RECEIVED	115	_____.
3. CURTAILMENTS RECEIVED	116	_____.
4. PAID OFF LOANS (TOTAL COLLECTED FROM MORTGAGORS)	106	_____.
MINUS:		
5. DELINQUENT LEVEL PAYMENTS	117	_____.
6. REVERSALS OF LEVEL PAYMENTS PREVIOUSLY REMITTED	119	_____.
7. MISCELLANEOUS DECREASE (CURTAILMENT REVERSALS)	120	_____.
8. LEVEL PAYMENT(S) NOT COLLECTED ON LOAN REMOVAL(S)	118	_____.
9. SERVICER FEE EARNED (SHOULD EQUAL FTA REPORTED S/F)	112	_____.
10. NET AMOUNT DUE (SUM OF LINES 1-9)		\$_____.
11. TOTAL MONTHLY REMITTANCE (FROM FUNDS TRANSMITTAL ADVICE)	112	\$_____.
12. REPORTED OVER REMITTANCE		\$_____.
13. REPORTED SHORT REMITTANCE		\$_____.
14. LOAN COUNT AT END OF PERIOD*		\$_____.
15. PORTFOLIO PRINCIPAL BALANCE AT END OF PERIOD*		\$_____.
16. LEVEL PAYMENTS AT END OF PERIOD*		\$_____.

* FROM SERVICER'S TRIAL BALANCE

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY

PREPAYMENT(S) RECEIVED

PERIOD ENDING ____/____/____

MORTGAGOR'S LAST NAME	HMFA LOAN NUMBER	TRANSACTION DATE MM / DD / YY	PREPAYMENT AMOUNT (ONE LEVEL PAYMENT)	PREPAYMENT DUE DATE MM / DD / YY

TOTAL \$_____

NOTE: If more than one level payment is prepaid use a separate line for each monthly payment.

[illegible]

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NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY

REVERSAL(S) OF LEVEL PAYMENT(S)
PREVIOUSLY REMITTED

PERIOD ENDING ____/____/____

MORTGAGOR'S LAST NAME	HMFA LOAN NUMBER	ORIGINAL TRANSACTION DATE MM / DD / YY	REVERSAL AMOUNT	DUE DATE OF PAYMENT BEING REVERSED MM / DD / YY

TOTAL \$_____

NOTE: If more than one level payment is being reversed, use separate line for each monthly payment.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY

DELINQUENT LEVEL PAYMENT(S)

PERIOD ENDING ____/____/____

MORTGAGOR'S LAST NAME	HMFA LOAN NUMBER	TOTAL OF ALL DELINQUENT LEVEL PAYMENTS	NUMBER OF PAYMENTS	PAID TO DATE OF LOAN MM / DD / YY

TOTAL \$_____

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY

LEVEL PAYMENT(S) NOT COLLECTED ON LOAN REMOVALS

PERIOD ENDING ____/____/____

MORTGAGOR'S LAST NAME	HMFA LOAN NUMBER	TOTAL AMOUNT NOT COLLECTED	NUMBER OF PAYMENTS	PAID TO DATE OF LOAN MM / DD / YY

TOTAL \$_____

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY

MISCELLANEOUS DECREASE
REVERSAL OF CURTAILMENT(S) PREVIOUSLY REMITTED

PERIOD ENDING ____/____/____

MORTGAGOR'S LAST NAME	HMFA LOAN NUMBER	ORIGINAL TRANSACTION DATE MM / DD / YY	AMOUNT OF CURTAILMENT BEING REVERSED	ORIGINAL DATE CURTAILMENT APPLIED AFTER MM / DD / YY

TOTAL \$_____

Servicer's Directory

Servicer Number: _____

Servicer Name: _____

Address: _____

Telephone #: _____

Fax #: _____

MORTGAGE ACCOUNTING DEPARTMENT ONLY:

President's Name: _____

Telephone #: _____ Ext. _____

Executive Vice President's Name: _____

Telephone #: _____ Ext. _____

Senior Vice President's Name: _____

Telephone #: _____ Ext. _____

Vice President's Name: _____

Telephone #: _____ Ext. _____

Assistant Vice President's Name: _____

Telephone #: _____ Ext. _____

Manager's Name: _____

Telephone #: _____ Ext. _____

Supervisor's Name: _____

Telephone #: _____ Ext. _____

Reporting Clerk's Name: _____

Telephone #: _____ Ext. _____